

**Meeting Between Federal Reserve Staff  
and Representatives of Ford Motor Credit Company  
August 18, 2010**

**Participants:** William Treacy, Karen Pence, Matthew Eichner, Andreas Lehnert, Steve Merriett, Sviatlana Phelan, Thomas Boemio, Fabio Natalucci, Kieran Fallon, Flora Ahn (Federal Reserve Board); and Patrick Coyne (Federal Reserve Bank of New York)

Susan Thomas, Scott Krohn, Tom Schneider, and Ellen Hughes-Cromwick (Ford Credit)

**Summary:** Staff of the Federal Reserve Board and the Federal Reserve Bank of New York met with representatives of Ford Credit. Ford Credit's representatives described Ford Credit's securitization practice and their overall views on risk retention requirements. A copy of the non-confidential portion of the handout provided by Ford Credit at the meeting is attached below.

Among other matters discussed were: Ford Credit's securitization model, risk management principles and historical loss and performance experience; the current structure of Ford Credit and auto asset-backed securitizations, including the retention by securitizers of a first loss position (a horizontal slice) in the securitized assets; and the potential impact of a requirement that sponsors of auto asset-backed securities retain a pro-rata portion of each issued asset-backed security (a vertical slice).

The representatives of Ford Credit also recommended certain approaches to, or exemptions from, any risk retention requirement for auto asset-backed securities as explained in the attached materials.



**FordCredit**

***OVERVIEW OF FORD CREDIT SECURITIZATION***

***DISCUSSION WITH FEDERAL RESERVE BOARD ON  
RISK RETENTION***

***AUGUST 18, 2010***

## ***FORD CREDIT MEETING GOALS***

- **Assist the Federal Reserve Board in its study of risk retention**
- **Provide an overview of our:**
  - **Business model**
  - **Asset classes we securitize**
- **Discuss the risk management principles that Ford Credit uses in its business to ensure prudent underwriting and collections**
- **Explain how Ford Credit has always had significant skin in the game and aligned incentives with investors**
- **Discuss Ford Credit's views on risk retention and implications of potential requirements on our business and the Auto industry**

# ***FORD CREDIT AGENDA***

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3.	Securitization Overview	16
4.	Risk Retention	29

## ***FORD CREDIT INTRODUCTION***

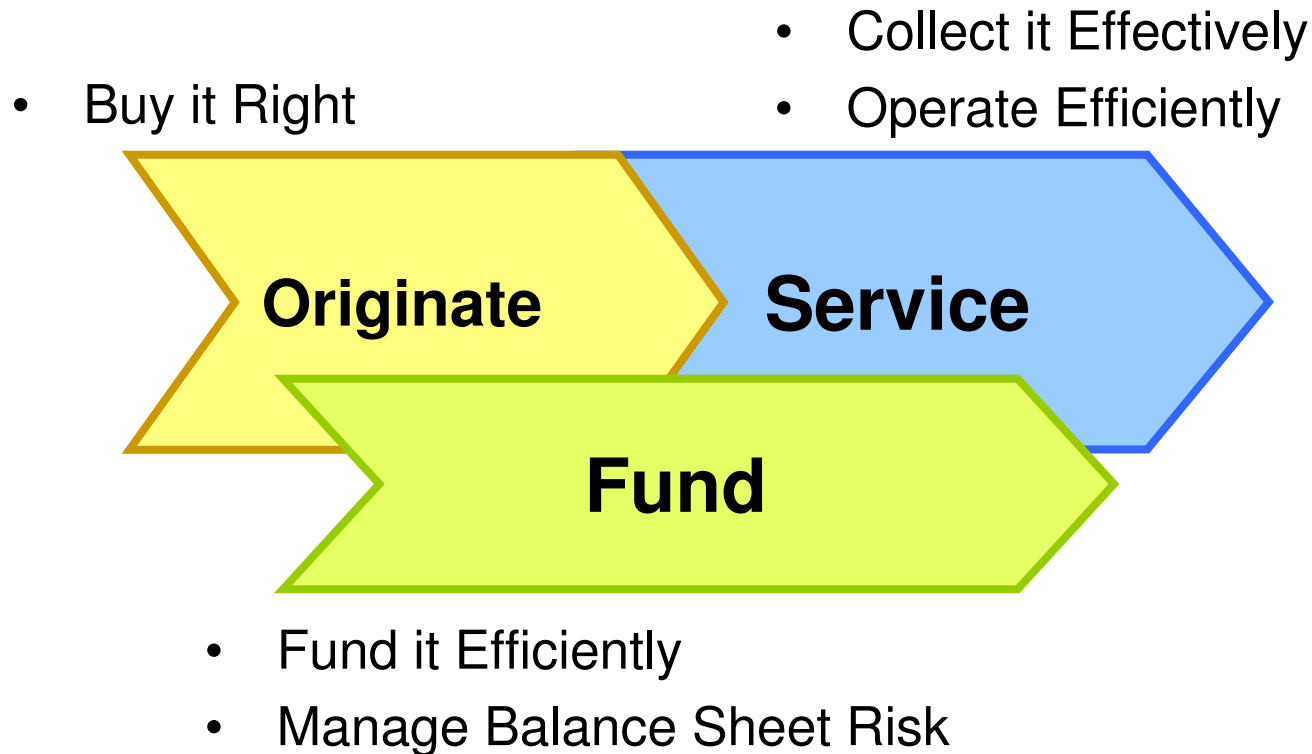
- **Ford indirectly owns 100% of Ford Credit**
- **Ford Credit has over 50 years of experience in the auto financing business, financing Ford dealers and vehicle sales**
- **Ford Credit offers a wide variety of automotive financing products to retail customers and automotive dealers around the world**
- **In the U.S., as of year-end 2009, Ford Credit was financing:**
  - **Over 3,100 Ford dealers (about 80%)**
  - **Over 2.5 million retail loan customers**
  - **Over 650,000 retail lease customers**

**FORD VIEWS FORD CREDIT AS A LONG-TERM STRATEGIC ASSET  
WHOSE MISSION IS TO PROFITABLY AND CONSISTENTLY SUPPORT  
THE SALE OF FORD VEHICLES AROUND THE WORLD**

**FORD CREDIT**  
**BALANCE SHEET**

	Year-end <u>2009</u> (Bils.)
<u>U.S. Assets</u>	
Retail Loans	\$ 36.3
Retail Leases	11.4
Floorplan Loans	12.3
Other	3.0
Subtotal U.S.	\$ <u>63.0</u>
<u>Other</u>	
International Assets	34.4
Reserves and Other	<u>(2.9)</u>
Total Global Assets	\$ <u><u>94.5</u></u>

## ***FORD CREDIT BUSINESS MODEL***



- Purchase managed level of risk, eliminating highest risks through prudent origination practices
- Collect using the latest technology and consistent processes which are continually improved
- Fund assets efficiently through unsecured and securitization markets

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## ***FORD CREDIT RETAIL LOANS BACKGROUND***

- **Ford Credit finances about half of Ford's U.S. retail sales**
- **Our retail loans are “plain vanilla”, fixed rate, simple interest contracts with level monthly payments and original terms of 72 months or less**
- **Originating “plain vanilla” retail loans has been our practice for decades, which has allowed us to develop a deep history of loan performance throughout economic cycles**
- **Ford Credit's retail loan portfolio is considered “prime”, with a weighted average FICO® score in excess of 700**
  - **We maintain a consistent proportion of higher to lower risk customers (as measured by FICO® score)**
  - **Providing financing to the entire risk spectrum of customers is important to Ford given inconsistent support from other finance providers, especially at the bottom of an economic cycle**

# **FORD CREDIT**

## **CONSISTENT UNDERWRITING ACROSS FICO® SCORES**

<b>FICO® Score</b>	<b>Percent Of Initial Pool Balance</b>		
	<b>2008-A</b>	<b>2009-A</b>	<b>2010-A</b>
<b>Greater than 749</b>	<b>31.0 %</b>	<b>28.6 %</b>	<b>34.8 %</b>
<b>700 - 749</b>	<b>16.9</b>	<b>15.8</b>	<b>16.5</b>
<b>650 - 699</b>	<b>17.3</b>	<b>19.4</b>	<b>17.4</b>
<b>600 - 649</b>	<b>11.9</b>	<b>13.9</b>	<b>10.9</b>
<b>250 - 599</b>	<b>8.2</b>	<b>8.6</b>	<b>7.0</b>
	<b>20.1%</b>	<b>22.6%</b>	<b>17.9%</b>
<b>Commercial and No FICO® Score</b>	<b>14.7</b>	<b>13.6</b>	<b>13.4</b>
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

- Our public retail ABS pools are regarded as prime and are representative of our portfolio
- As shown above, customers with FICO® scores below 650 have consistently ranged from 18-22% of our transactions and customers with FICO® scores below 600 have ranged from 7-9%
- Given our long history of underwriting and servicing lower FICO® customers, we feel we are better positioned to understand the risk and segment good credits from bad

## ***FORD CREDIT RETAIL LEASE BACKGROUND***

- **Retail leasing is another way that Ford Credit supports the sale of new Ford cars and trucks**
- **In simple terms, a lease is a stream of monthly rental payments with a large payment at the end representing the residual value of the vehicle (its value as a used vehicle)**
- **Our retail leases are “plain vanilla”, fixed payment, new vehicle contracts with original terms of 48 months or less**
- **At the end of the lease term, the customer can either purchase the vehicle or return it to Ford Credit. Ford Credit sells returned vehicles at used car auctions**
- **Ford Credit is Ford’s primary retail lease financing provider**

## ***FORD CREDIT RETAIL LOAN AND LEASE ORIGINATION AND SERVICING***

- **Ford Credit uses proprietary scoring models that emphasize the customer's creditworthiness and ability to pay**
- **Our proprietary scoring model considers: FICO® score, financing product, customer and contract characteristics**
- **Credit losses are an expected part of the business -- the objective is to implement consistent and prudent origination and collection strategies to ensure the loans perform as expected**
- **Our collection and servicing strategy is to:**
  - **Reduce credit losses**
  - **Manage residual value risk of returned lease vehicles**
  - **Optimize utilization of resources**
  - **Increase customer satisfaction**

## **FORD CREDIT FLOORPLAN FINANCING BACKGROUND**

- **Floorplan financing is a cornerstone product for Ford Credit and Ford Credit finances about 3,100\*, or 80%, of Ford's U.S. dealers**
- **Floorplan financing is revolving and each loan is repaid when the dealer sells or leases the vehicle to a customer (typically 60-75 days)**
- **When the economy and credit markets are strong, banks have historically competed for floorplan business; however, they are quick to pull back from this business during an economic downturn**
- **Ford Credit has consistently provided floorplan financing to Ford dealers through all economic cycles**

\* We estimate that about 65% of the dealers we support would qualify as a “small business” under the SBA cutoff of \$25 million in revenue

## ***FORD CREDIT FLOORPLAN ORIGINATION AND SERVICING***

- **Dealers wishing to establish a floorplan credit line must undergo a thorough credit review based on factors such as leverage, cash flow, and profitability**
- **Based on our proprietary credit model, we assign dealers a risk rating that determines the extent and frequency of dealer monitoring**
- **Dealer monitoring focuses on:**
  - **Size and trends of outstanding amount financed**
  - **Payoff verification**
  - **Inventory aging**
  - **Financial condition**

# ***FORD CREDIT ORIGINATION AND SERVICING***



**TECHNOLOGY AND JUDGMENT COMBINE TO MINIMIZE LOSSES**

## ***FORD CREDIT***

### ***SUMMARY OF RISK MANAGEMENT***

- **Ford Credit's best-in-class risk-adjusted loss performance is a result of its origination and servicing strategies and competencies**
- **We purchase a managed level of risk**
  - **The highest risks are eliminated through prudent origination practices**
  - **Proprietary statistical models assess risk and drive collection strategies**
- **Our collection strategy focuses on:**
  - **Reducing credit losses**
  - **Optimizing the utilization of resources**
  - **Increasing customer satisfaction**
  - **Utilizing technology and processes which are continually improved**
- **The data and experience from financing tens of millions of contracts over 50 years are strategic assets that increase our competitiveness**

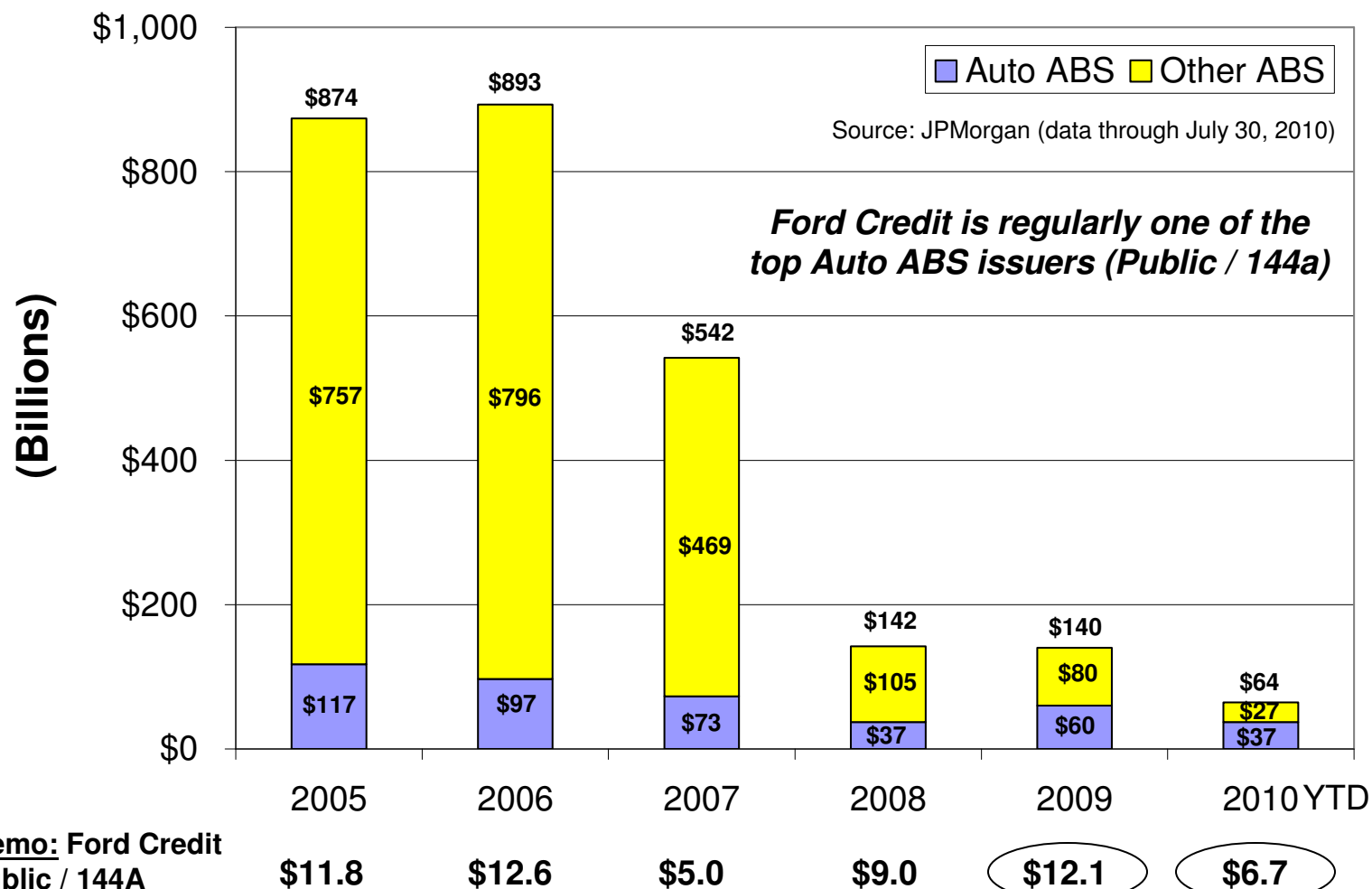
**HISTORICAL DATA HAS BEEN CRITICAL TO OUR  
ORIGINATION AND SERVICING SUCCESS**



# ***FORD CREDIT AGENDA***

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# FORD CREDIT ABS MARKET ISSUANCE



**AUTO ABS NOW REPRESENTS ABOUT 60% OF TOTAL ABS ISSUANCE  
(AND FORD CREDIT > 10%) HIGHLIGHTING CONTINUED INVESTOR  
CONFIDENCE IN OUR UNDERLYING COLLATERAL AND STRUCTURES**

## ***FORD CREDIT SECURITIZATION STRATEGY AND HISTORY***

- **Earlier this decade, securitization funding was more expensive than unsecured debt, but was pursued to diversify our funding**
- **Since we lost our investment grade rating in 2005, securitization funding has been critical to Ford Credit's liquidity (almost 60% of our overall funding) and has been very cost-effective**
- **Ford Credit has a long securitization history**
  - **Retail loan program began in 1989**
  - **Floorplan loan program began in 1992**
  - **Retail lease program began in 1995**

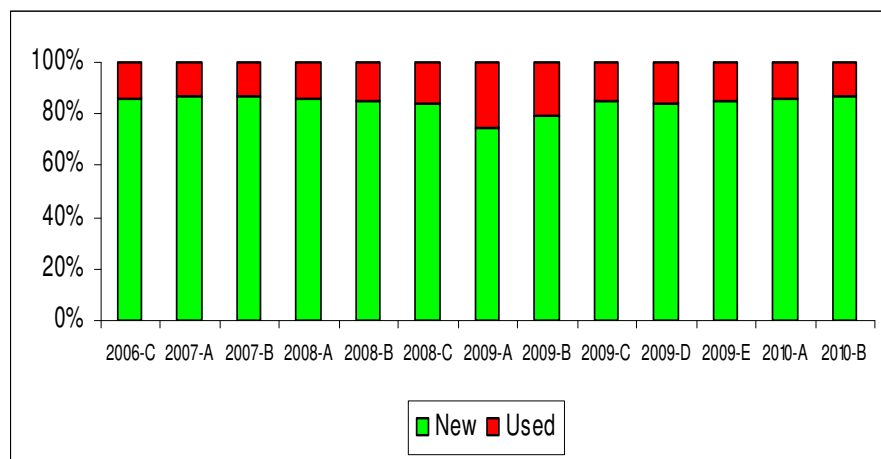
## ***FORD CREDIT***

### ***KEY CHARACTERISTICS OF AUTO COLLATERAL***

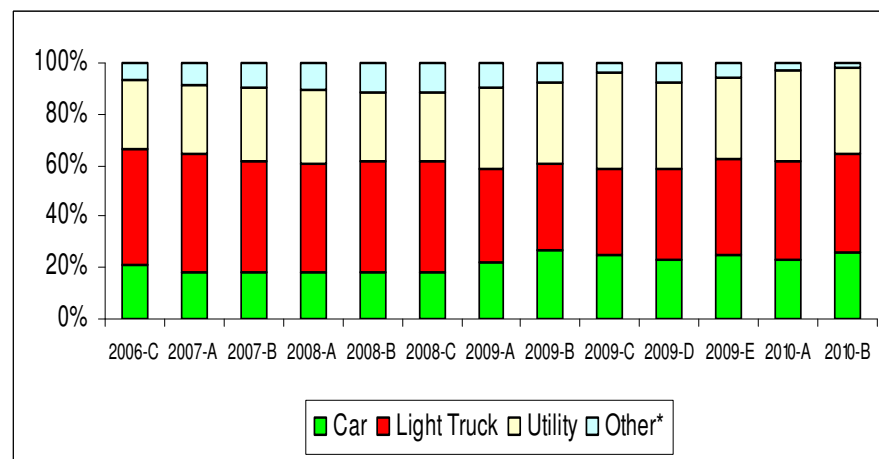
- **Cars and light trucks are reliable collateral:**
  - They are depreciating assets so they are not subject to speculation
  - Highly efficient used car and auction markets make them very liquid
- **Auto ABS has historically performed well, even during the crisis, despite:**
  - Worst economic recession since the Great Depression
  - High unemployment
  - Worst auto industry sales in recent history
  - Bankruptcy of major auto manufacturers
  - Record high gasoline prices that caused used large vehicle prices to decline

# FORD CREDIT RETAIL LOAN ABS COLLATERAL COMPOSITION

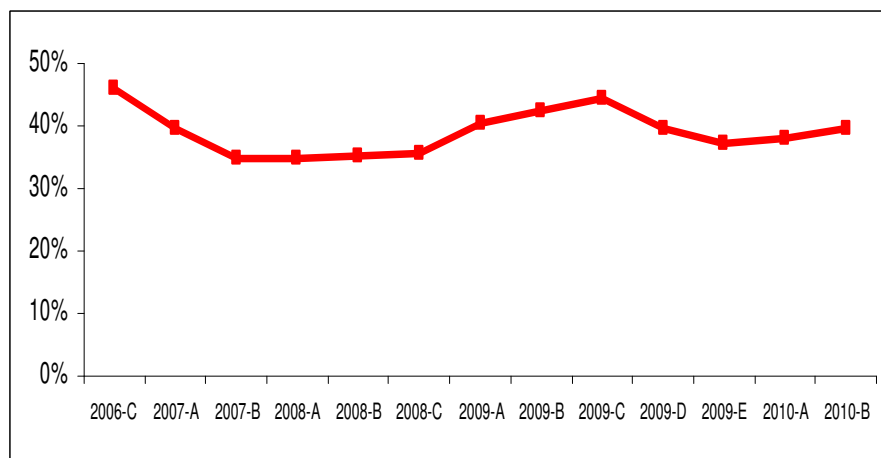
## New/Used



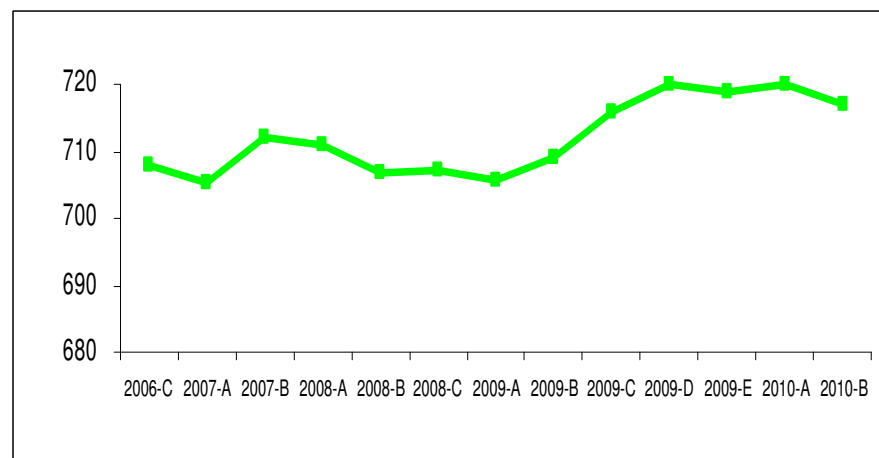
## Car/Light Truck/Utility



## % of Contracts > 60 month original term



## Weighted Average FICO



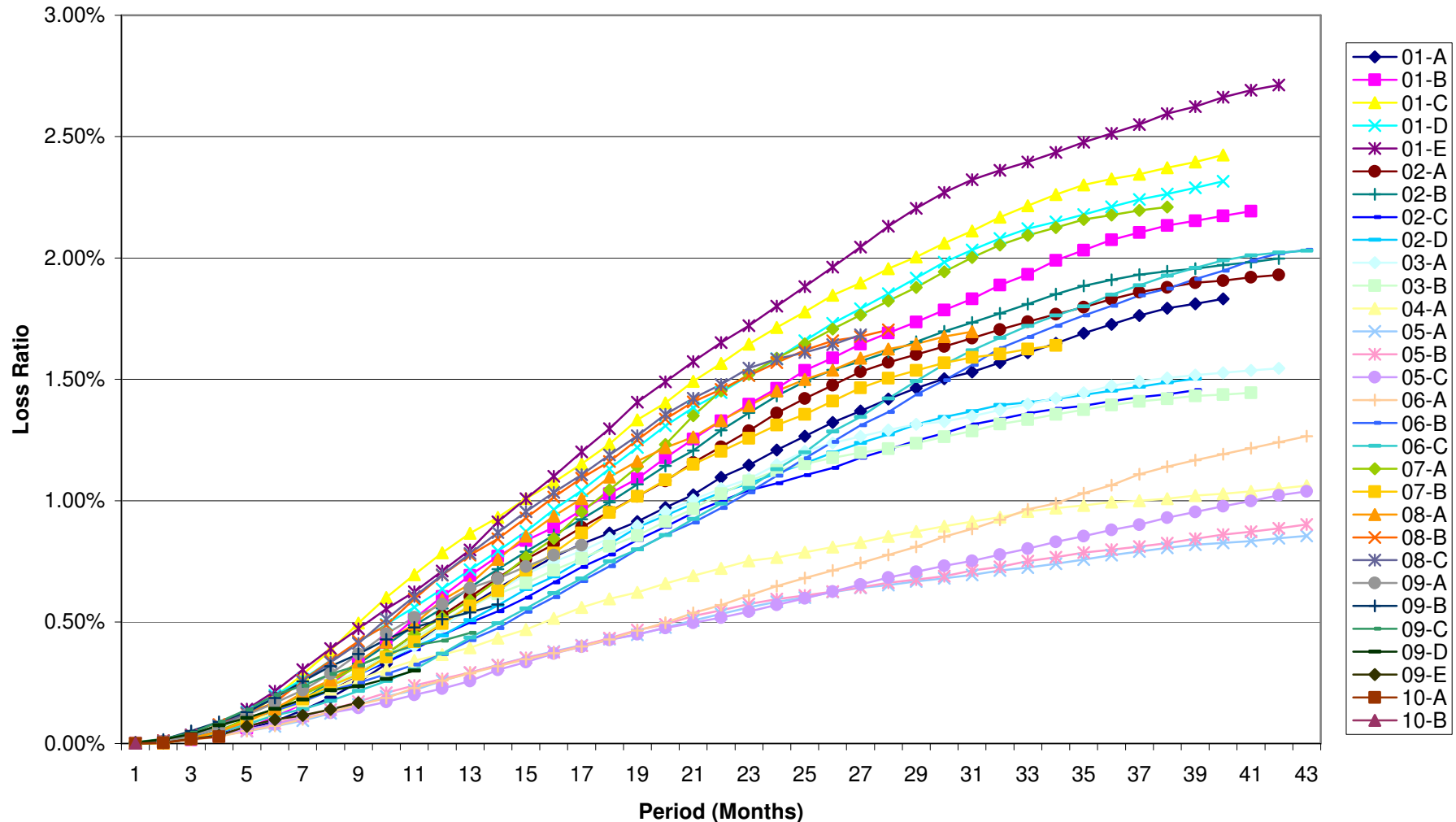
\* Primarily non-Ford, Lincoln and Mercury vehicles, which Ford Credit does not categorize

## ***FORD CREDIT***

### ***RETAIL LOAN ABS COLLATERAL COMPOSITION***

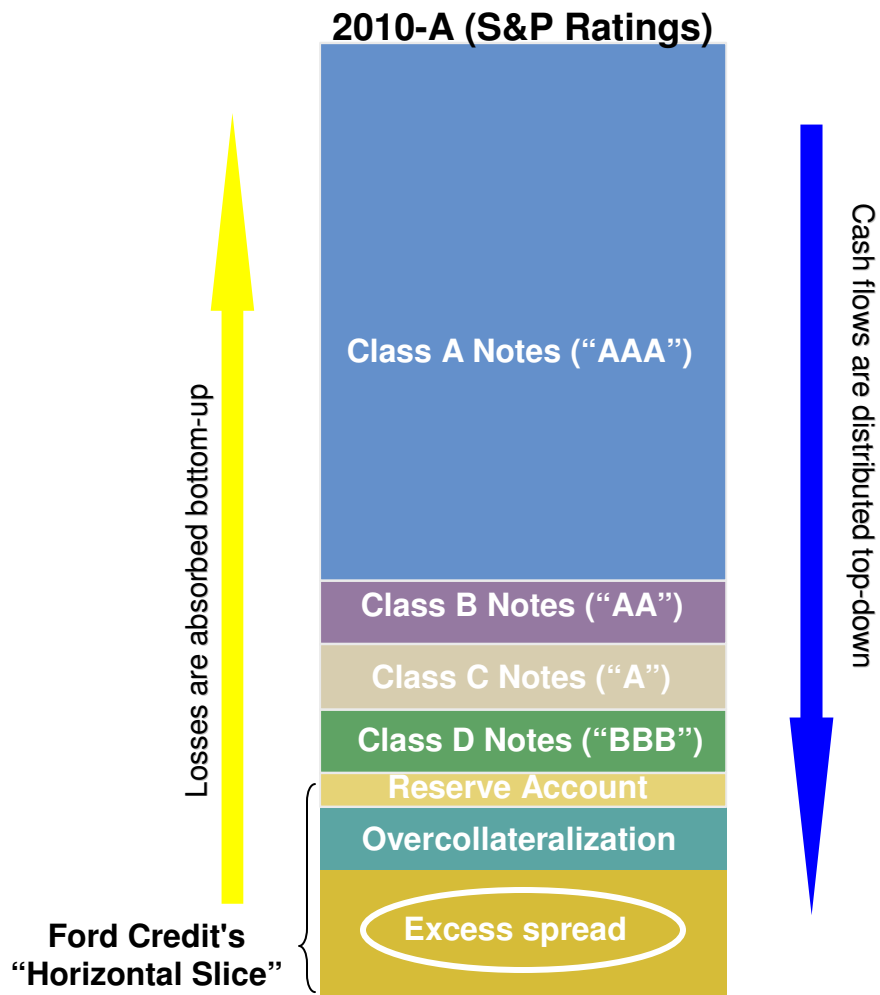
- **Consistent origination and servicing practices lead to predictable portfolio composition**
- **Ford Credit selects a cross-section of retail loans from our portfolio for each securitized pool**
- **Pools have reflected trends in the industry and in our business**
- **Consistent loss and delinquency trends for both our portfolio and securitized pools**

# ***FORD CREDIT RETAIL LOAN CREDIT LOSS PERFORMANCE (PUBLIC)***



**DESPITE A CHALLENGING ECONOMIC ENVIRONMENT, FORD CREDIT  
TRANSACTIONS CONTINUE TO DEMONSTRATE CONSISTENT LOSS PERFORMANCE**

# FORD CREDIT RETAIL SECURITIZATION STRUCTURE



Excess spread is the amount of funds remaining after making all required monthly payments in the waterfall (fees, expenses, interest and principal payments). Excess spread is released to the holder of residual interest (Ford Credit) each month

- Credit enhancement provides protection against payment shortfalls resulting from losses on securitized pool of retail loans
- Rating agency loss expectations and stress scenarios determine required enhancement levels
- Typically, a AAA rating requires enhancement that provides at least five times expected loss coverage
- Class A Notes have the full support of all the credit enhancement in the form of:
  - Overcollateralization (builds to target)
  - Non-declining reserve account
  - Subordination of Class B,C,D notes
  - Excess spread
- Losses on retail loans in each period are absorbed in the following order:
  - 1st loss position = Excess spread
  - 2nd loss position = Overcollateralization
  - 3rd loss position = Reserve account
  - 4th loss position = Class D notes
  - 5th loss position = Class C notes
  - 6th loss position = Class B notes



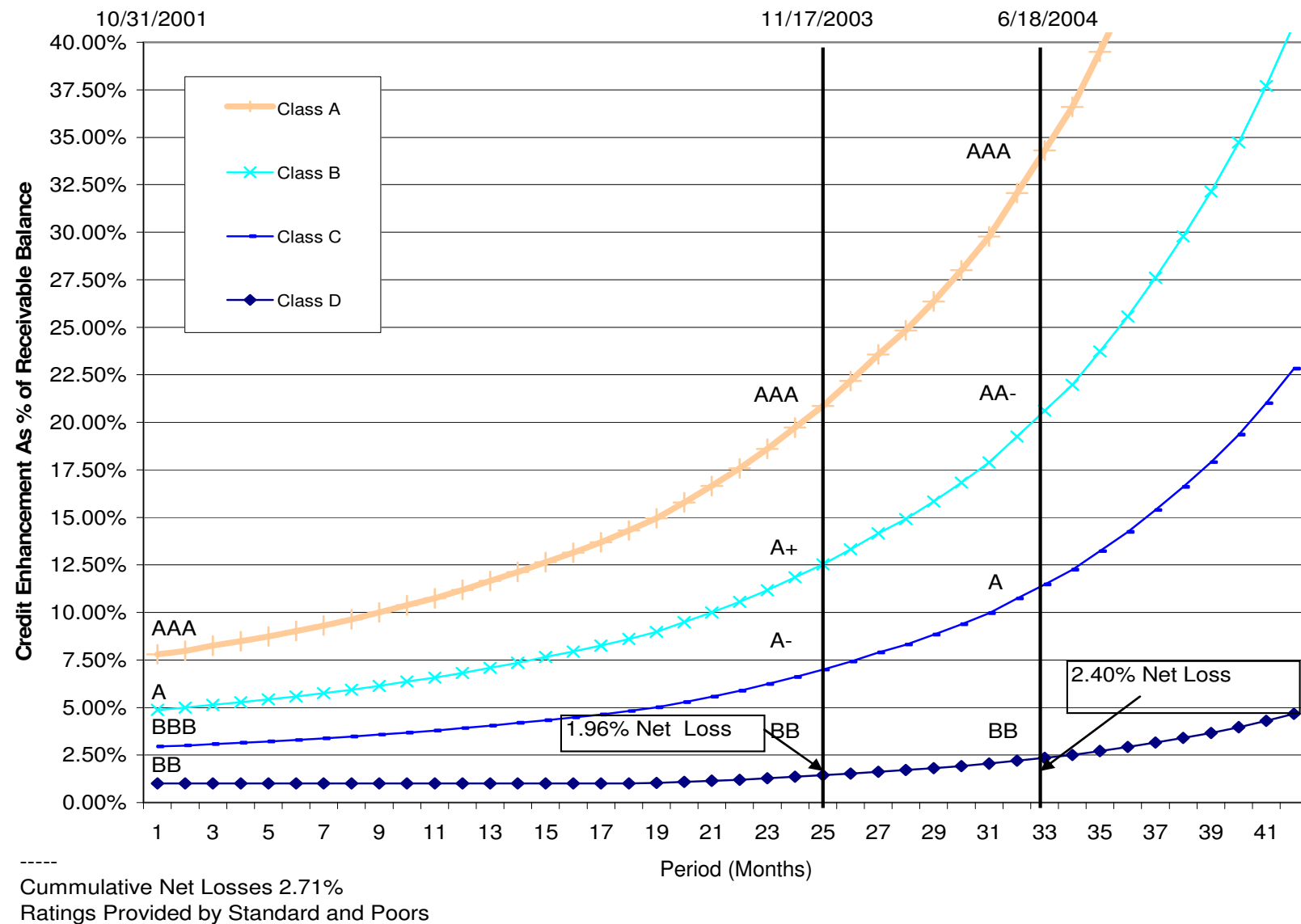
## ***FORD CREDIT RETAIL AND LEASE TRANSACTION STRUCTURE***

- **Credit enhancements in our retail loan securitization programs are:**
  - **Cash reserve**
  - **Subordination of junior notes**
  - **Overcollateralization (including residual interest in trust)**
  - **Excess spread**
- **Transactions structured to build credit enhancement over time**
  - **Subordinate notes regularly upgraded given consistent asset performance and sequential pay structure that de-leverages**
  - **Normally structured down to Class D notes (ratings have ranged from “BB” to “A”)**
- **Consistent and conservative structure for more than fifteen years that is designed for investor comfort**
- **Retail lease structure very similar to retail loan, but has a higher level of enhancement to cover residual value risk**
  - **Rating agencies conservatively assume all vehicles are returned and sold for 55-60% of their projected residual values**

# FORD CREDIT

## RETAIL LOAN CREDIT ENHANCEMENT BUILD BY SERIES

### PUBLIC RETAIL 2001-E



# **FORD CREDIT**

## **RETAIL LOAN HISTORICAL RATING ACTIONS**

### **Rating Upgrades on Public Retail Transactions (S&P/Moody's/Fitch)**

Deal*	Class B		Class C		Class D	
	Initial	Present	Initial	Present	Initial	Present
2006-B	A+/A1/A	AAA/Aaa/AAA	BBB+/Baa2/BBB+	AAA/Aaa/AAA	BB/NR/BB+	A/NR/A
2006-C	A+/A1/A	AAA/Aaa/AAA	BBB+/Baa2/BBB+	AAA/Aaa/AA	BB+/NR/BB+	A/NR/BBB
2007-A	A+/A1/A	AAA/Aaa/AAA	BBB+/Baa2/BBB	AAA/Aaa/AA	BB+/Ba2/BB	A+/A2/BBB
2007-B	A+/A1/A	AAA/Aaa/AAA	BBB+/Baa1/BBB	AAA/Aaa/AA	BB/Ba2/BB	A/A1/A
2008-A	A+/Aa2/A	AAA/Aaa/AA	BBB+/A2/BBB	AAA/Aaa/A	BB+/Baa2/BB	A/A1/BBB
2008-B	A+/Aa3/A	AA/Aaa/AA	BBB+/A3/BBB	A-/Aa2/A	BB+/Ba1/BB	BB+/Baa1/BB
2008-C	A+/Aa3/A	AA+/Aaa/AA	BBB+/A2/BBB	A/Aa2/A	BB+/Baa3/BB	BB+/Baa2/BB
2009-D	AA/Aa2/AA**	AA/Aa2/AA**	A/A1/A**	A/A1/A**	BB+/A3/BB(high)**	BB+/A3/BB(high)**
2009-E	AA/Aa2/NR	AA/Aa2/NR	A/A1/NR	A/A1/NR	BB+/A2/NR	BB+/A2/NR
2010-A	AA/NR/AA	AA/NR/AA	A/NR/A	A/NR/A	BBB/NR/BBB	BBB/NR/BBB
2010-B	NR/Aa1/AA	NR/Aa1/AA	NR/Aa2/A	NR/Aa2/A	NR/A1/BBB	NR/A1/BBB

\* For 2009-A, 2009-B, and 2009-C no subordinated notes were structured

\*\* Rated by DBRS not Fitch

## ***FORD CREDIT FLOORPLAN OVERVIEW***

- **Master trust owns a revolving pool of floorplan loans originated in connection with the purchase and financing by motor vehicle dealers of their new and used car and truck inventory**
- **At any time, the master trust owns approximately 400,000 floorplan loans that are repaid on average after 60-75 days**
- **Master trust issues new series of asset-backed securities from time to time that are all backed by the same pool of floorplan loans**
- **Typically, principal on the securities is paid in a lump sum at maturity**
- **Variable funding notes are used to adjust the balance of issued securities to match the balance of floorplan loans owned by the master trust**

## ***FORD CREDIT FLOORPLAN STRUCTURE***

- **Rating agencies model potential losses by predicting the number of dealer defaults, timing of dealer defaults and vehicle inventory values**
- **Historical credit losses from dealer defaults have been minimal**
- **The rating agencies' primary concern has been the health of the vehicle manufacturer and the impact a bankruptcy could have on dealer default rates and vehicle inventory values**
- **Credit enhancements in our floorplan securitization program are:**
  - **Cash reserve**
  - **Subordination of junior notes**
  - **Overcollateralization (available subordinated amounts)**
  - **Excess spread**

# ***FORD CREDIT AGENDA***

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## ***FORD CREDIT RISK RETENTION OVERVIEW***

- **Our business model and securitization programs already ensure alignment with our investors -- our existing practices have successfully protected Auto ABS investors for over 20 years**
- **Even where risk retention is needed to ensure alignment between sponsors and investors:**
  - **A “one size fits all” approach should not be applied across all asset classes**
  - **Different types of risk retention should be allowed**
  - **Any requirement should take into account the performance or “riskiness” of a particular asset class**
- **Auto ABS sponsors retain a first loss position (or “horizontal slice”) which better aligns the interests of sponsors and investors**
  - **Sponsors are motivated to originate quality assets and structure and service securitizations properly in order to maximize the value of their residual interests**

## ***FORD CREDIT***

### ***IMPORTANCE OF SPONSOR / INVESTOR ALIGNMENT***

- **Our capital markets reputation is very important and ABS continues to be an important funding channel**
- **Our business model and securitization programs ensure consistent alignment with investors**
  - **We do not use the originate-to-distribute model**
  - **We are the originator, sponsor, servicer and the holder of subordinated residual interest in our transactions**
  - **We do not use securitization to transfer risk or to achieve off-balance sheet accounting treatment**
  - **We hold significant amounts of unsecuritized retail loans on our balance sheet**
  - **We have significant incentive to maintain long-term relationships with investors, rating agencies, customers and underwriters**

**ALIGNED INCENTIVES ENSURE INVESTORS WILL CONTINUE TO BENEFIT FROM HIGH-QUALITY ASSET ORIGINATION, DILIGENT SERVICING OF THOSE ASSETS, AND CONSERVATIVE DEAL STRUCTURES**



## ***FORD CREDIT RISK RETENTION PROPOSAL***

- **We believe that prime auto retail and floorplan ABS should be exempt from any form of risk retention requirement, given:**
  - **Auto ABS sponsors already have significant alignment of incentives with investors**
  - **Consistent performance of assets (even through the most recent downturn) backed by depreciating collateral**
  - **Conservative structures -- many of which de-lever over time**
- **If a risk retention requirement is mandated for prime Auto ABS, we believe that sponsors should be able to meet the requirement by retaining one or more of the following:**
  - **Horizontal slice -- retain the first loss position (or “subordinated residual interest”)**
  - **Unsecuritized assets -- hold similar assets originated with the same underwriting criteria**
  - **Vertical slice -- retain a pro-rata portion of each issued ABS**
- **Any risk retention requirement should take into consideration the “riskiness” of a particular asset class**

## ***FORD CREDIT***

### ***RISK RETENTION – HORIZONTAL SLICE***

- **Most Auto ABS transactions include “horizontal slice” risk retention, which has been “thick enough” to protect investors from a multiple of expected losses on the securitized assets**
- **Investors prefer this approach because they want sponsors to stand in front of them and have first loss exposure instead of standing side-by-side with them and sharing the losses pro-rata**
- **The “horizontal slice” motivates sponsors to originate quality assets and to structure and service a securitization diligently because doing so maximizes the value of their subordinated residual interest**
- **We believe it is appropriate to define a “horizontal slice” or subordinated residual interest as the present value of all projected cashflows remaining after the payment of interest and principal on the notes plus the servicing fee\***

**\* The aggregate principal value of retained subordinated securities would also be added to the value of subordinated residual interest so long as they are 100% owned by the sponsor**

## ***FORD CREDIT***

### ***ECONOMIC RESEARCH – HORIZONTAL SLICE***

- **Much of the research cited by the SEC in its commentary to the proposed ABS rules supports vertical slice risk retention for mortgage ABS, but it also is supportive of retaining a subordinated residual interest or “horizontal slice” for Auto ABS and its related business model:**
  - **BIS Quarterly Review (Sep. 2009): “If the equity tranche is thick enough not to be exhausted in a downturn, this form of retention will dominate the others.”**
  - **IMF Global Financial Stability Report (Oct. 2009): “Proposals for risk retention requirements should not be imposed uniformly across the board, but tailored to the type of securitization and underlying assets to ensure that those forms of securitization that already benefit from skin in the game and operate well are not weakened.”**

# **FORD CREDIT**

## **RISK RETENTION ANALYSIS – HORIZONTAL SLICE**

### **FORD CREDIT PUBLIC RETAIL LOAN SECURITIZATIONS**

	<b>SUBORDINATED RESIDUAL INTEREST SUMMARY*</b>				
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>A</b>	13.7%	19.2% **	6.4%	6.0%	6.0%
<b>B</b>	14.5%	20.2% **	7.2%	5.4%	5.5%
<b>C</b>	-	20.2% **	7.3%	-	5.9%
<b>D</b>	-	14.6%	-	-	-
<b>E</b>	-	13.0%	-	-	-

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\* Subordinated residual interest is the present value of all projected cashflows remaining after payment of interest, principal, and servicing fee discounted at the weighted average coupon of the structured notes. Values shown as a percentage of pool balance at issuance

\*\* 2009-A, B, and C were structured during the TALF program and included only AAA-rated notes. As a result, these had much higher residual interest percentages

**FORD CREDIT HAS RETAINED A SUBORDINATED RESIDUAL INTEREST IN EXCESS OF 5% FOR ALL OF ITS RETAIL TRANSACTIONS SINCE 2006. LEASE AND FLOORPLAN HAVE EVEN HIGHER RETENTION LEVELS**

## ***FORD CREDIT***

### ***RISK RETENTION – UNSECURITIZED ASSETS***

- **We believe that holding similar, unsecuritized assets is also an appropriate form of risk retention and would also be successful in ensuring that the sponsor had “skin in the game”**
- **Unsecuritized assets are similar in nature to securitized assets and are originated with the same underwriting criteria**
- **We select a cross-section of assets for securitization pools and the pools have very similar risk composition to the underlying portfolio**
- **Our servicing personnel are also unaware of which assets have been securitized -- as a result, all of our assets are serviced in exactly the same manner**

## ***FORD CREDIT RISK RETENTION – VERTICAL SLICE***

- **The “vertical slice” is an appropriate form of risk retention and is particularly relevant for the “originate-to-distribute” model**
- **However, for Auto ABS, any “vertical slice” risk retention requirement would be redundant to the present “horizontal slice” preferred by investors**
- **If mandated, this additional form of retention would make Auto transactions less efficient, generating less funding per dollar of securitized assets**
- **Any additional retained portion of the transaction would need to be funded by higher cost unsecured debt or equity of the sponsor**
- **The impact of the lower efficiency and additional cost could force us to originate fewer assets, pass along higher borrowing costs to consumers and dealers, and / or remit lower dividend payments to our parent company\***

**\*See footnote 11 from the comment letter filed on August 2, 2010, by Ford Credit and fifteen other auto issuers for Ford Credit’s estimate of the annual cost penalty of redundant vertical slice risk retention and impact on jobs and investment**

## ***FORD CREDIT RISK RETENTION SUMMARY***

- **We agree that alignment with investors is important -- our business practices ensure high quality asset origination, best-in-class asset servicing and conservative deal structuring, all of which have protected Auto ABS investors from losses for over 20 years**
- **We believe that the discussion related to risk retention has been overly influenced by the negative experiences in mortgage ABS and that a “one size fits all” approach is not appropriate**
- **We believe that prime auto retail and floorplan ABS should be exempt from any form of risk retention requirement, given:**
  - **Auto ABS sponsors already have significant alignment of incentives with investors**
  - **Consistent performance of assets (even through the most recent downturn) backed by depreciating collateral**
  - **Conservative structures -- many of which de-lever over time**
- **If a risk retention requirement is mandated, we believe sponsors should be able to meet the requirement by retaining a “horizontal slice”, unsecuritized assets, and / or a “vertical slice”**